

Growth of Manufactures in the South

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IF an economist were given liberty to set a wide stage with all of the characters to make a social drama, he could do nothing more complete than what the history of the South offers. Here have been colonization by different nationalities, indentured servitude, the conquest of the wilderness, healthy beginnings in handicraft industry, the invention of the cotton gin which established Negro slavery and a staple agriculture, futile efforts in the forties and fifties to revive manufactures, the rationalization of an economic system into a political theory of separatism, civil war, a harsh period of economic and political readjustment until 1880, the break-up of the plantation system, the bold emergence of large scale industry with free labor, and now the growing clash of capital and technical efficiency with labor unionism. The plot of the drama has constantly thickened and is at this moment in a most exciting phase. All has been enacted in an environment of abundant natural resources and a favorable climate.

INDUSTRY THE CENTER OF SOUTHERN CHANGE

Of these changes, that which compasses the introduction of manufacture after the Reconstruction Period claims present attention. It is the most dynamic of all, and the most revealing. It binds together most elements in the past and the present of the South. It is the sun in this economic planetary system. One remembers the experiment in physics of joining springs so that several forces meet at one point.

The arrival of industry in the South supplies such a focus. Social pulls and counterpulls which center upon the factory involve agriculture, the status of the poor whites, the future of the Negro, education, religion, political thought and behavior, shifts in population, and many other tremendous items.

What is to be the result of the sudden advance of industry toward physical maturity in an environment of agricultural habit and tradition? Is southern society to stumble into the pitfalls which marked the wake of Arkwright and Watt in England? Or may we steer around some of these? Will the concept of social control and the agencies to give it actuality be evolved speedily, or by muddling trial and error? Does the history of the South suggest facilities for social analysis and social management, or are we barren of these talents? Is the sea-change complete, or does the merman remember the kirk on the hill?

I might devote the space allowed me for a discussion of southern industrial growth to a recital of statistics, as I have tried to do elsewhere. The progress of old industries, the hatching of new ones, the value of manufactured products (amounting now to almost \$8,000,000,000 annually), the increase in the number of factory workers, the fluctuation of wage levels, the fresh exploitation of natural resources, and the swift development of electric power, make an exciting story if rightly understood. But such an exhibit is apt to move on the surface without furnishing a dip into underlying currents. With

generous allowance for optimism, chambers of commerce and other agencies have given us such accounts, and some calmer enumerations are not lacking. The South is now apt in citations of its industrial pace. The implications of industry are more important—for the outsider, and particularly for the Southern people themselves. The present juncture demands not “political arithmetic,” but economic theory. The exhilaration of material accomplishment should begin to simmer down to speculation. We should not only be glad that our sails are full, but should also ask how the rudder is being manipulated and whither our craft is driving.

THE BACKGROUND OF SOUTHERN MANUFACTURES

The first point to be made is that it is footless to begin by deploring the manufacturing development in the South. I have seen the announcement of a new book, *I Take My Stand*, by eleven Southerners, advertised as a symposium by men who want a return to the agricultural régime. The contents of the book may warrant less censure, but its banner invites ridicule. Everything else aside, it is impossible to halt the industrial march which has been begun. Southerners who interpret membership in the old school as meaning abhorrence of factory smoke may learn something from the incident of King Cnut and the sea waves. They hark back to the day when Charleston would by ordinance have forbade the setting up of a steam engine within the city limits, laughed at by William Gregg almost a century ago.

The development which brought manufactures in the South was inevitable. The South before the Civil War had relied for manufactured goods almost entirely upon England and the North. Both sources of supply were cut off by the conflict, and during war

years the section was cruelly aware of its inability to furnish itself with military supplies, implements of production, and articles of consumption. Freeing of the slaves upset the plantation system, and the few men of enterprise, capital, and credit were bewildered, lacking accustomed channels of investment. The South did not catch up to prewar cotton production until a decade after Appomattox. Political rancor on the part of the South, encouraged by Reconstruction and expressing itself in the presidential campaigns of 1876 and 1880, availed nothing. The cry was for a way out. The answer came not only in political amalgamation with the rest of the Nation, but in the advice and the impulse to copy the industrial progress which the North was making. Cotton as cotton was shown to have been a tyrant who pauperized his subjects; but cotton as yarn and cloth invited larger gains for the South. The Civil War threw the South out of the socket of whole devotion to agriculture, and called for a new dispensation. Cotton mills began about 1880 to be built in numbers.

Not only was the inauguration of industry inevitable, but it has been the South's salvation. There could be no rescue for the poor whites except employment in factories. The proponents of the “American system” were right in insisting upon the “mutual fertilization” of a variety of economic pursuits—commerce, industry, and agriculture should be carried on side by side. The South for fifty years refused to follow this advice, and got itself suspected, defeated, and outlawed as a consequence. Now it is adopting the full program put forward by the nationalist economic advocates, even to the point of rendering the Democratic Party, in its tariff policy, indistinguishable from the Republican.

STAGNATION CAUSED BY SLAVERY

Manufactures have brought the South release from the stagnation which was the characteristic of slavery. Slavery never changed and it permitted nothing else to change, unless, indeed, there was degeneration due to soil exhaustion. Here and there individuals or small groups of planters experimented with new methods, but the bull-tongue plow and the heavy hoe remained the symbols of southern agriculture. Staple crops meant routine in production, in distribution, in exchange and in consumption of wealth. The credit system hung upon repetition of crops, and all else hung upon the credit system.

This universal extension of credit had not even the virtue of being centralized, which would have afforded certain insurance features and permitted some diversification, but was scattered in the hands of thousands of small men, principally country storekeepers. Where credit was on a large scale, as in State bank notes, other paper money, public bonds, and securities of works of internal improvement, there was apt to be fiscal ineptitude or downright fraud, followed by repudiation or failure. Instead of credit extension resting upon productive efficiency, it relied upon the certitude of time; as the seasons came and went, cotton, in the long run, would a little more than pay for the cost of growing it.

Political thought under slavery made no progress. Political theory certainly takes color from economic habit. Where there was no change in the methods of making a living, there was no urge upon government to alter its purpose. The law was a sanction for slavery; political philosophy produced, for example in Calhoun, a mere special pleader for an outworn economic system.

Religion in the South was likewise seduced by slavery, and became its hypocritical mistress. Sermons to slaves made it clear that it was the duty of servants to obey their masters, as it was the duty of the masters to obey God. When the slavery controversy became heated, the South was fecund in Scriptural defenses of its peculiar institution. When the Civil War came southern sections of evangelical denominations split off from the national bodies. Religion, like everything else, was a function of economic life. Not being forced to adapt itself to an altering economic environment, it became ingrowing, resulting in an easy moral code for the rich, emotional orgies for the slaves, and hell-and-damnation doctrines for the excluded, ignorant, half-existing poor whites.

Education marked time; scholarship offered no constructive social thinking for the Southern people. Sons of Southern families of wealth might go from the sea islands to Oxford, Cambridge, Princeton, or Yale, but they returned, "elegantly educated," to sink into the plantation system without a murmur. They were gifted and clamorous in debate, but poor at the business of analysis and drawing conclusions.

The proof of my point lies in Apomattox. The system which the South had sanctioned, with all of its defenses, brought up in surrender. Since every one now recognizes that that was a good thing, it is foolish to quarrel with the only system which could succeed it, namely, one of balanced industry, agriculture, and commerce.

INDUSTRY BRINGS SOCIAL GAINS

All of our social gains in the South have been associated with the advance of industry—employment for the poor whites, urban growth with all the activity this implies, sound banking, es-

establishment of a wage system, greater productivity of wealth and its more even distribution, larger tax yields, better schools and roads, improvement of farming methods, and the growth of many governmental services. What the South needed throughout its prior history was productivity. This meant, first, abandonment of the expedient of mere exploitation—chattel slavery, soil exhaustion, defrauding of public and private creditors; and second, the emergence of a wider margin between the cost of production and the price obtained for the product. The old South had no social surplus, and consequently was limited on every hand. The new South of industry mixed with agriculture begins to have riches, and in that measure, as a people, begins to live.

If it is absurd to deplore the arrival of manufactures in the South, it is criminal to try to ignore the development. Mills and shops, dams and transmission lines, brokers and bankers to finance them, and commercial organizations to sell their products, are rapidly transforming the life of the South. Already it is the old creed rather than the new activity which needs explanation and championing.

Nor will it do to hold to a purely mechanistic view of society—to say that its future mold will be the result of economic forces or even mere accident. "Economic forces" embrace not only invention of machines and their operation in answer to the profit motive, but also a care for social consequences—a care which expresses itself in labor unions, protective legislation, and the assumption of economic authority and initiative by governmental agencies. In other words, we must try first to recognize what is happening through the industrialization of the South; second, to understand its implications; and third, to

control the outcome of the process, so far as possible, in order to derive the maximum of social advantage and the minimum of social hurt.

FEATURES PECULIAR TO THE SOUTH

There are important differences between industry in the South and in the North. In the first place, industry took its rise in the South fifty years later than in New England and seventy-five years later than in the Middle States. Second, the introduction of manufactures in the South was more abrupt than in the North. In New England there was the transition from agriculture to industry through the intermediate stage of commerce; in the Middle States (Pennsylvania typically) there was a gradual growth with the least possible clash of the three branches, and the greatest mutual benefit. But in the South, cotton mills were set down suddenly in cotton fields. There was, furthermore, in influential quarters a definite revolt against agriculture—a feeling that single devotion to agriculture had failed the South and needed to be supplemented by industry.

Third, Southern industrialists have a peculiar pride in their achievement. They began their work following a period, during Reconstruction, of political humiliation, and their tools were only such as were offered by determination in the midst of poverty. These things gave to the whole movement a social sanction, I might almost say social sanctification, which was largely lacking elsewhere. An added element to this end was the fact that industry, particularly the cotton factories, furnished bread and meat to the hordes of poor whites who waited to be reclaimed after the destitution which slavery entailed upon them. Thus, southern manufactures were imbued—often in the minds of the enterprisers them-

selves, and widely in the thought of the general public—with a philanthropic character. The racial homogeneity of the Southern people and the comparative similarity of climate and natural resources in the various Southern states, have contributed to give all economic effort a certain public quality, as contrasted with that of the rest of the country. The bitter struggle for the right of secession bound Southerners together, and a concept of separate identity remains, to this day, in an important degree. This has much to do with the uncritical attitude of Southerners toward their industry.

Fourth, money wages are lower in the South than elsewhere. For common labor, southern wages are from 50 to 65 per cent of those in the rest of the country; for semiskilled workers, from 65 to 85 per cent; and for skilled workers, wages paid in the South are from 75 to 100 per cent of those paid outside. These wage differentials hold whether the employing agency is private, a public utility, or a government service. In cotton goods, the southern average is 66 per cent of the average elsewhere, in lumber and timber 63 per cent, in foundry and machine shops 80 per cent, and in railroad repair shops 90 per cent. In 1929 the wages of casual farm laborers in the South averaged 48 per cent of those for the rest of the country.¹ In viewing these figures, three mitigating facts must be kept in mind: (1) some southern wage earners receive perquisites (hired farm laborers receive food and cheap rent, and cotton mill operatives receive cheap rent and fuel at wholesale, besides numerous social services); (2) the cost of living may be lower in the South; (3) the degree of skill compensated is on the whole not as high in the South as elsewhere. The first considerations may

be taken as raising the southern real wage somewhat.

I have quoted the differential in agricultural wages because of the low pay of farm workers (an average of \$1.55 per day in ten Southern states as contrasted with \$3.25 for the rest of the country), and because southern industries (as to a less extent those in America generally) are recruiting workers from agriculture, and the pay in manufacturing and mechanical pursuits, particularly where the learning period is short, is held down by earnings on the land. The South's population is still mainly rural and agricultural, although Southern states have led the country in rapidity of industrialization. In South Carolina the number of wage earners in manufacturing establishments increased 37 per cent between 1919 and 1927, in North Carolina 30 per cent, and in Georgia 25 per cent.² The birth rate in the South is high.

Intimately connected with the foregoing is the fifth fact of the South's Negro population. The presence of the Negro operates upon industry in several ways, depressing wages, reducing skill, curtailing power to purchase manufactured products, diverting white workers' attention from the economic to the race issue, and furnishing an enormous potential supply of industrial workers.

INDUSTRIAL CONCENTRATION

A sixth difference, and one of the most important, is that the South's industry is little diversified, and is relatively localized geographically. The cotton manufacture is the South's principal industry—in number of workers (one third of the South's factory employees are in it), in value of product, in capital employed, and in value added by manufacture. Manufactures of to-

¹ Heer, Clarence, *Income and Wages in the South*, Chapel Hill, N. C., 1930.

² *Op. cit.*

bacco, cottonseed oil, furniture and other wood products, iron and steel, fertilizers and chemicals, paper, cement, ceramics, and repair and building of railroad equipment, are the other chief pursuits. Others, such as lumbering, oil refining, flour and rice milling, and the processing of sugar cane, come so near to the extractive industries as not to claim attention in this discussion. Furthermore, the South Atlantic states are those in which industrialization has become important; the East South Central states have made less progress in the introduction of manufactures—in number and variety of plants and in degree of fabrication—and the West South Central group still less.

Thus there are few alternate employments for the industrial worker, and this reflects itself in wage levels and in the growth of skill, and is a hazard to the whole community. If one industry is peculiarly depressed or badly organized, as is the cotton manufacture at this time, whole cities and towns find their pay rolls and purchasing power shrinking. It is difficult for workers to improve labor standards so long as, in event of failure, there is nothing else to go to. At the same time it is to be said that there is every reason for optimism in the number of new industries being started in the South. As these mature and spread they are destined to have a large part in erasing other distinctions between southern and northern industry.

A seventh fact deserving mention is that in the South, industrial issues have not played so important a part in politics as they have in the remainder of the country. Perhaps it would be proper to speak more broadly and say that *economic* issues have been more in the background in the South. This, like some other facts which have been listed, is mainly because industry has not come of age. The South, more

largely than other sections, has been governed by a squirarchy dependent upon the land. Something like the British "Manchester School" is, however, beginning to emerge, and more and more it will bring political conformity with national economic advocacies, particularly in the matter of a protective tariff. This will be wholesome, because it will cut the ground from under mere rabble-rousers, tend to suppress the race issue, and invite workers to demand the same consideration shown to industrial enterprisers.

LABOR ORGANIZATION

An eighth special characteristic of southern industry (one implied in much that has gone before) is the newness of the organized labor movement. There are 160 Southern cities and towns with central labor bodies, whereas thirty years ago there were only ten. All states have state federations, whereas a generation ago there was not one in the South. The South now has more than six thousand local unions affiliated with the American Federation of Labor, and sixteen national unions are spending annually in excess of half a million dollars in assistance to southern organized labor. But in the South, labor organization has made little headway in the great industries employing relatively unskilled people. Unionists are in the building trades, railroading, government services, printing, and other crafts. Their best individuals have furnished little leadership for southern labor as a class; in their own trade union practice they have patterned after northern precedent, and have not addressed themselves, even as a flying squadron, to the peculiar southern labor problem.

However, new beginnings have been made recently. Almost two years ago, spontaneous strikes began in southern cotton mills and reached

peaks in the struggles at Elizabethton, Tennessee, and Gastonia and Marion, North Carolina. Forthwith the American Federation of Labor opened a campaign for the unionization of the South, centering particularly upon textiles. The Federation's approach is an educational one, as directed to workers, employers, and general public. Despite considerable spasmodic organization in the cotton factories in past years, the workers still need to be told the story of unionism, be convinced of its benefits as opposed to the mere patronage of employers' welfare work, and be disciplined in dues-paying and other aspects of union loyalty, as well as loyalty to their jobs.

The Federation is supremely mindful of the manufacturer's production problems, and is trying, wherever permitted, to show the employer how organized labor can cooperate with him in their solution. This engineering approach is carried over into the Federation's representations to the general community. It seeks to show that the cotton manufacture is a sick industry—a victim of waste, heedless competition, overproduction, and poor organization, particularly in the matter of distribution of output.

Further, it is shown that southern industry must look, for its sustenance, pretty largely to the purchasing power of southern industrial workers, and that while wages are low, prices must be low and markets sluggish.

This apostolate is having its effect. Workers are joining the union ranks in large numbers, employers are lending a surprisingly ready ear to the proposal of union recognition and collaboration, and public opinion is coming to see reason in the contentions of organized labor.

INDUSTRIAL PROGRESS

The Southern states (Virginia, West Virginia, the Carolinas, Georgia, Flor-

ida, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas) in 1927 had 29,720 manufacturing establishments; these employed 1,348,201 wage earners, used 6,000,891 primary horse power, and turned out products worth \$7,674,480,997. The value added by manufacture was 41.5 per cent of the value of the products, as opposed to 43.9 per cent for the country as a whole. Between 1925 and 1927, the value of manufactured products fell off by \$72,415,000, but this difference was more than made up by an increase in the value added by manufacture—\$78,710,000—showing the progress that industrial processes are making.

In value of manufactures, the five leading Southern states in 1927 were: Texas, \$1,206,579,962; North Carolina, \$1,154,646,612; Virginia, \$671,346,808; Louisiana, \$638,361,215; and Tennessee, \$614,040,524. Georgia, Alabama, West Virginia, Kentucky, Oklahoma, South Carolina, Florida, Mississippi, and Arkansas came next in order. The high figures for Texas, Louisiana, and Oklahoma are on account of petroleum refining, this being responsible in Texas for a third of the total value of manufactured products.

The South was about half as far industrialized as the country as a whole in 1910, and three fifths as far in 1920, judging by the proportion of the gainfully employed who were in manufacturing and mechanical pursuits. If more recent figures were available, they would undoubtedly show further gain for the South. The South in 1927 had something less than a sixth of the country's total horse power in prime movers; of the South's total of 6,289,602 horse power, 2,934,600 was in electric motors driven by purchased current. Electric power plants are being built rapidly in the South, to be operated by water, coal, lignite, oil,

or natural gas, and are perhaps the best proof of the industrial advance.

The southward shift of cotton manufacture (and to a less extent other textiles) has taken three forms—the outright removal of northern companies, the building of branch plants in the South, and the relative growth of southern enterprises. This movement, more than any other, has called the South's industrialization to the attention of the country. In 1909 New England had half again as many active producing spindles as the South. By 1914 the lead had dropped to a third again as many, and in 1919 to a fourth again as many; but in 1927 the South was ahead of New England by 3,192,030, and the gain has continued since. Between 1919 and 1927, the number of idle spindles in North Carolina decreased by 25,468, while the idle spindles in Massachusetts increased by 938,265. The South now has more looms than has New England, while a decade ago New England had 85,000 more than had the South. In 1927 the southern mills used 72 per cent of all the cotton processed in American mills, had 53 per cent of the country's active spindles, and turned out over 57 per cent of the country's cotton goods by value. In 1930 the South had 277,820 wage earners in cotton mills, or 59 per cent of the country's total.

This progress in the South is due mainly to lower wages, better equipment and better and cheaper construction of mills, cheaper power, lenient tax policies, and longer hours of operation. Lower labor costs constitute the chief of these items, and the absence of organization among workers in the South heretofore has had much to do with poor labor standards. Not only are cotton mills concentrating in the South, but other departments of the industry are building plants here—finishing, re-

pairing, and machinery manufacture. Rayon has had a conspicuous growth in the South, and knitting mills, particularly on underwear and hosiery, are responsible for much of the South's progress in textiles.

VARIOUS INDUSTRIES

Iron and steel plants are important chiefly in Alabama, Tennessee, and West Virginia. The value of the products of blast furnaces, steel works and rolling mills, and cast iron pipe plants was \$395,911,530 in 1927. Alabama had 21 establishments, with 11,630 wage earners, and products valued at \$122,943,350; this state ranks fifth in the country's pig-iron production. Birmingham, founded in 1870, has the advantage of 32 to 45 per cent ores in juxtaposition with coal and fluxes. Birmingham steel, made by the open-hearth process, is increasingly finding a market within the South.

The cottonseed oil industry is practically confined to the South. For the year ending July 31, 1929, the 520 plants crushed 4,839,845 tons of seed, an increase of 349,197 over the previous year. Texas is the leading state, with Mississippi next. The value of all products in the year cited was \$253,325,000. This industry greatly assists southern agriculture by creating a market for the seed and supplying feed and fertilizer.

In 1927 the South had 36,118 workers in the cigar and cigarette branches of the tobacco industry, and 4,764 in other branches. The industry is concentrated in North Carolina, Virginia, Kentucky, and Florida, the first three being characterized by machine methods highly developed, and the last by hand production of cigars. North Carolina and Virginia in 1927 produced four fifths of the country's cigarettes. The tobacco manufacture developed from a plantation handicraft, and owes

much to the organizing ability of a North Carolinian, the late James B. Duke, founder of the American Tobacco Company.

The furniture industry is a new one in the South, and is developing rapidly in North Carolina, Virginia, and Tennessee. The first plant was at High Point in 1888. In 1927 there were in the South 384 plants, turning out products worth \$121,972,444. Finer and finer grades of furniture are being manufactured in the South,

with accompanying expansion of the markets.

Another wood-using industry is the paper manufacture, most important in Virginia, Louisiana, and Tennessee. Methods are being introduced whereby the resinous southern pines may be manufactured into grades of paper better than wrapping or kraft paper, which has been the South's chief product. Wallboard and insulating materials are being made from sugarcane bagasse.